



Internal Audit: An A to Z Approach Part 3


Name , Title






Session Outline


- Gathering Data
- Sampling
- Performing Audit Procedures
- Testing Standards
- Elements of Findings



Internal Audit Process




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graph TD; A[Annual Planning] --> B[Audit Prep]; B --> C[Fieldwork/Review]; C --> D[Report Drafting]; D --> E[Management Response]; E --> F[Follow-up]; F --> A;
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Exercise

- From the regulation
 - Determine the intent
 - Determine sufficient checklist question(s)
 - Determine method(s) of testing

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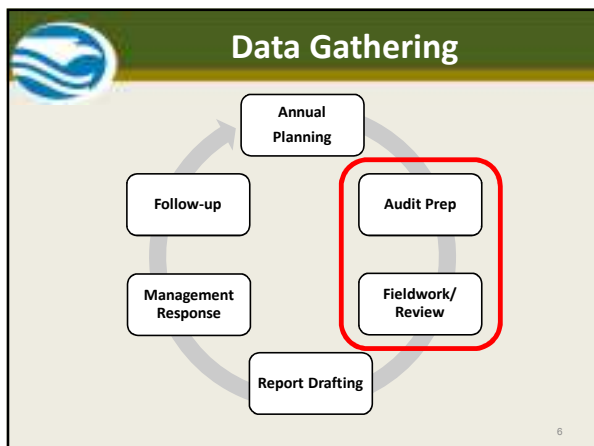



Data Gathering



When do we start gathering data?

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Data Gathering


- Review of policies
 - Comparison of TICS to MICS & SICS to TICS
 - Use to develop program
 - Tailor checklists
 - Note outlined processes on checklists

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Data Gathering

- Questionnaire
 - Completion of questionnaire for operations and individuals can be helpful
 - Could range from simple questions (high level overview) to questions on audit checklist




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Data Gathering


- Review of prior audit reports
 - Provides assistance into issues the operation has experience in previous audits
 - Ensures findings were corrected and remain compliant

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Sampling

Why do Internal Auditors need samples?




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Sampling

- Auditors can not review all paperwork
- Samples are needed as representation of entire population
- Proper sampling
 - Provides evidence
 - Increases efficiency of audit


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Sampling

- How do you determine samples?
 - Review the questions
 - What needs to be sampled
 - Sample size
 - Dates of samples

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Sampling


Ex.

\$543.24 Auditing Revenue

(1) Bingo.

(i) At the end of each month, verify the accuracy of the ending balance in the bingo control log by reconciling it with the bingo paper inventory. Investigate and document any variance noted.


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Performing Audit Procedures

- Inquiry
 - Don't just read the questions
 - You want more than yes/no
 - Start high level
 - Clarify responses specific to intent of questions
 - Having an understanding of processes will help identify any issues
 - Trust but verify


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Performing Audit Procedures

- Auditing paperwork
 - It is essential to understand HOW the paperwork is completed
 - Review of policies is critical to ensure paperwork is completed properly
 - Explanation from someone responsible for completing paperwork is helpful in understanding process


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Performing Audit Procedures

- Collecting work papers
 - Determine the necessary samples to retain
 - Everything
 - Specific doc and all exceptions
 - Only exceptions


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Performing Audit Procedures


- Retaining Work Papers
 - Formats
 - Electronic and/or hard copies
 - Create system to identify work papers
 - Necessary when there is review of IA department
 - Referencing system will help identify relevant W/P
 - Department code & Question #
 - » CDC73 (Drop and Count question 73)
 - Department code and document number
 - » 104 (100 series for Accounting & doc #4)
 - Document 101 may be Accounting P&Ps

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Document Performance

- What was reviewed?
 - What was discovered?
 - Do the TICS/SICS satisfy the requirement?
 - Is the process fully outlined?
 - Are the individuals involved identified?
 - Are thresholds/timeframes defined?




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Document Performance

- What was observed?
 - What was discovered?
 - Who was doing it?
 - When was it done?
 - What were they doing?
 - Did it match what the policy said?




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Document Performance

- What was examined?
 - What was discovered?
 - What docs needs to be completed for the process?
 - Was it completed?
 - Are all appropriate fields completed?
 - How many samples were reviewed?
 - How many exceptions are present?
 - Are there any required elements missing?
 - Does the supporting paperwork sufficiently document the records?




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Document Performance

- Who did you talk to? (By title)
 - What did they say?
 - Does it match policy?
 - Did they identify any new forms of paperwork?
 - Did they identify anyone else that might be able to better explain a process?
 - Are they the SME for the questions you are asking?
 - When did you talk to them?




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Testing the Standards


- Review gathered data
- Review documented discoveries
- Compare information to checklist question
- Formulate conclusion
 - Were there exceptions?
 - Was there compliance?

Would an informed person would reach the same conclusion?



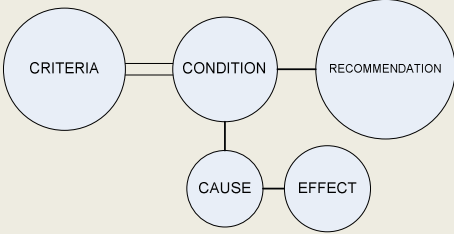
Testing the Standards

- What does the standard/question want to know?
 - 543.17(c)(4): Are **controls established** and **procedures implemented** to ensure security of the count and the count room to prevent unauthorized access, misappropriation of funds, forgery, theft, or fraud, to include the following:
 - Are functions performed by count team agents rotated on a routine basis?
 - Inquiry, observation, and review TICS/SICS & supporting docs




Findings

Elements of a finding:



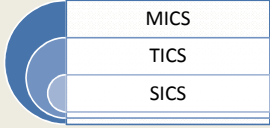
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graph LR
    CRITERIA((CRITERIA)) === CONDITION((CONDITION))
    CONDITION --- RECOMMENDATION((RECOMMENDATION))
    CONDITION --- CAUSE((CAUSE))
    CAUSE --- EFFECT((EFFECT))
            
```




Findings

- Criteria
 - How things should be
 - The authority (says who?)
 - Typically the standards for compliance audits




MICS
TICS
SICS




Findings

- Condition
 - Current state found by auditors
 - What was discovered/Problem
 - Determined during the audit process



Findings

- Cause
 - Why aren't things the way they should be?
 - May be several causes for a given finding
 - Possibilities may include:
 - Inadequate procedures
 - Procedures not being followed
 - Inadequate supervision
 - Unqualified/untrained employees




Findings

- Effect
 - This is the impact of the condition and cause
 - Compelling reason why it should be fixed


“WHY SHOULD THEY CARE?”

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Findings

- Recommendation
 - Attempts to resolve
 - Condition
 - Cause



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Findings

Based on an observation, it was determined that the cage and vault inventories are not counted independently by at least two agents at the end of each shift during which the activity took place.

What are we missing?


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Findings

- Material weakness
 - A deficiency or combination of deficiencies in internal control
 - Suggests reasonable possibility that material misstatement of the Casino’s AFS would not be prevented, or detected and corrected, on a timely basis
 - Scope may be expanded when potential exists

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Findings

SIGNIFICANCE

Material

Immaterial


Material Weakness

Remote

LIKELIHOOD

Probable


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Summary

- Gathering Data
 - Begins during audit prep
 - Continues in performing audit procedures
- Sampling
 - Sufficient evidence
- Performing Audit Procedures
 - Know what you are looking at
 - Ask effective questions

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Summary

- Testing Standards
 - Ensure program was followed
 - Be aware of things that seem off
- Elements of Findings
 - Cause and effect

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Questions & Answers



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